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INTERIM REPORT
2005



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ProSticks International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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This report, for which the directors of ProSticks International Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS FOR THE SIX MONTHS AND THREE MONTHS ENDED 30 JUNE 2005

- Turnover for the six months and three months ended 30 June 2005 increased by approximately 106% and 96% respectively over the previous corresponding periods and reached approximately HK\$6,502,000 and HK\$2,948,000 respectively.
- Loss attributable to shareholders for the six months and three months ended 30 June 2005 amounted to approximately HK\$1,375,000 (a decrease of approximately 77%) and HK\$743,000 (a decrease of 78%) respectively.
- Loss per share for the six months and three months ended 30 June 2005 reduced to approximately Hong Kong cents 0.21 and 0.11 respectively.
- The Board does not recommend the payment of interim dividend for the six months ended 30 June 2005.

RESULTS

The board (the "Board") of directors ("Directors") is pleased to present the unaudited condensed consolidated interim financial statements of ProSticks International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the six months and three months ended 30 June 2005, together with the comparative unaudited figures of the corresponding periods in 2004, as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	Note	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover	2	6,502	3,152	2,948	1,503
Cost of sales		(1,455)	(1,612)	(652)	(849)
Gross profit		5,047	1,540	2,296	654
Other revenue	3	52	45	48	32
Advertising & promotion expenses		(117)	(77)	(101)	(9)
Administrative expenses		(6,149)	(7,429)	(2,872)	(3,967)
Loss from operations		(1,167)	(5,921)	(629)	(3,290)
Finance costs	5	(208)	(86)	(114)	(38)
Loss from ordinary activities before taxation	5	(1,375)	(6,007)	(743)	(3,328)
Taxation	6	–	–	–	–
Net loss attributable to shareholders		(1,375)	(6,007)	(743)	(3,328)
Dividends	7	–	–	–	–
Loss per share					
– Basic	8	0.21 cents	1.03 cents	0.11 cents	0.51 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) 30 June 2005 HK\$'000	(Restated) 31 December 2004 HK\$'000
Non-current assets			
Plant and equipment		648	785
		648	785
Current assets			
Trade and other receivables	9	1,227	2,127
Cash and bank balances		1,258	1,023
		2,485	3,150
Current liabilities			
Trade and other payables	10	(2,039)	(1,492)
Interest bearing borrowing	11	–	(2,874)
		(2,039)	(4,366)
Net current assets/(liabilities)		446	(1,216)
Total assets less current liabilities		1,094	(431)
Non-current liabilities			
Interest bearing borrowings	11	(7,812)	(4,804)
NET LIABILITIES		(6,718)	(5,235)
CAPITAL AND RESERVE			
Issued capital		6,517	6,517
Reserves		(13,235)	(11,752)
		(6,718)	(5,235)

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	(Unaudited) For the six months ended 30 June 2005 HK\$'000	(Unaudited) 2004 HK\$'000
Net cash inflow/(outflow) from operating activities	447	(5,532)
Net cash outflow from investing activities	(60)	(399)
Net cash outflow before financing	387	(5,931)
Net cash inflow/(outflow) from financing activities	(208)	8,447
Increase/(decrease) in cash and cash equivalents	179	2,516
Cash and cash equivalents at the beginning of period	1,023	1,349
Effect of exchange rate changes	56	35
Cash and cash equivalents at the end of period	1,258	3,900
Analysis of the balance of cash and cash equivalents:		
Cash and bank balances	1,258	3,900

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited							
	Share capital HK\$'000	Share premium HK\$'000	Share- based payment reserve HK\$'000	Capital reserve HK\$'000	Convertible equity component HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As of 1 January 2004	4,668	23,113	–	24,415	–	(135)	(53,581)	(1,520)
Issue of new shares	1,849	3,685	–	–	–	–	–	5,534
Exchange differences on translation of:								
– financial statements of overseas subsidiary	–	–	–	–	–	35	–	35
Net loss for the period	–	–	–	–	–	–	(6,007)	(6,007)
As of 30 June 2004	6,517	26,798	–	24,415	–	(100)	(59,588)	(1,958)
As of 1 January 2005								
– as previously stated	6,517	26,798	–	24,415	–	(359)	(63,042)	(5,671)
– effect of adoption of HKFRSs and HKASs retrospectively	–	–	920	–	436	–	(920)	436
As restated	6,517	26,798	920	24,415	436	(359)	(63,962)	(5,235)
Repayment of convertible bond	–	–	–	–	(164)	–	–	(164)
Exchange differences on translation of:								
– financial statements of overseas subsidiary	–	–	–	–	–	56	–	56
Net loss for the period	–	–	–	–	–	–	(1,375)	(1,375)
As of 30 June 2005	6,517	26,798	920	24,415	272	(303)	(65,337)	(6,718)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

I. Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Accounting Standards 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules"). The unaudited condensed consolidated interim financial statements have not been audited by the Company's auditor, but have been reviewed by the Company's audit committee.

The financial statements are prepared under the historical cost convention. The accounting principles used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2004 except as described below.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS"), which are effective for accounting periods beginning on or after 1 January 2005. The Group has adopted the new HKFRSs and HKASs that are relevant to its operations in the current period and the comparative figures in respect of 2004 have been amended as required and where necessary, in accordance with the relevant requirements. The major changes in accounting policies and the impact of the adoption of the new HKFRSs and HKASs on the financial statements are summarized below:

HKFRS 2 – Share-based Payment

Prior to the adoption of HKFRS 2, the compensation expense in respect of the share options granted to the employees was not recognized until such time when the share-based payments are settled. With effect from 1 January 2005, the Group accounts for the compensation cost of these share options based on the fair value of the share options granted.

The change in the accounting policy has been accounted for retrospectively as follows:

	As previously reported (HK\$'000)	Effect of adoption of HKFRS 2 (HK\$'000)	As restated (HK\$'000)
Group			
At 31 December 2004			
Reserves:			
Share-based payment reserve	–	920	920
Accumulated losses	(63,042)	(920)	(63,962)

HKAS 32 – Financial Instruments: Disclosure and Presentation

The adoption of HKAS 32 requires the Group to analyze the compound financial instruments into debt and equity components based on the circumstances at the inception of the instrument. The comparative figures in respect of the convertible bonds have therefore been restated whereby the equity conversion option is now presented as a component of reserves. The effect on the comparatives has been accounted for retrospectively as follows:

	As previously reported (HK\$'000)	Effect of adoption of HKAS 32 (HK\$'000)	As restated (HK\$'000)
Group			
At 31 December 2004			
Current interest-bearing borrowing	3,000	(126)	2,874
Non-current interest-bearing borrowings	5,000	(196)	4,804
Trade and other payables	1,606	(114)	1,492
Reserves:			
Convertible bonds – equity component	–	436	436

2. Turnover

The Group is principally engaged in the development, production and distribution of financial software products. Turnover and revenue recognized by category are as follows:

	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Membership subscription fees	789	772	387	396
System services and maintenance income	5,713	2,380	2,561	1,107
	6,502	3,152	2,948	1,503

3. Other Revenue

	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Interest income	1	3	–	1
Others	51	42	48	31
	52	45	48	32

Interest income is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

4. Segment Information

(a) *Primary reporting format – business segments*

The Group's revenue and results for the period by business segments is as follows:

	<u>(Unaudited)</u>		<u>(Unaudited)</u>		<u>(Unaudited)</u>	
	Financial instruments analysis software products		Operational software applications products		Consolidated	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2005	2004	2005	2004	2005	2004
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Revenue						
Segment revenue	789	772	5,713	2,380	6,502	3,152
Result						
Segment result	(1,430)	(1,142)	3,421	(224)	1,991	(1,366)
Unallocated operating income and expenses					(3,158)	(4,555)
Loss from operations					(1,167)	(5,921)
Finance costs					(208)	(86)
Loss from ordinary activities before taxation					(1,375)	(6,007)
Taxation					–	–
Net loss attributable to shareholders					(1,375)	(6,007)

(b) *Secondary reporting format – geographical segments*

The Group's operations are principally located in Hong Kong throughout the period. Therefore, no analyses by geographical segments are provided.

5. Operation loss

(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
2005	2004	2005	2004
HK\$'000	HK\$'000	HK\$'000	HK\$'000

This is stated after charging:

(a) Finance costs

Interest on convertible bonds
and short-term loan

208	86	114	38
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(b) Other items

Staff costs, excluding directors'
emoluments

3,364	3,866	1,589	2,140
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Cost of services provided
(included direct labour costs)

1,455	1,612	652	849
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Auditors' remuneration

99	90	53	45
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Depreciation of plant and equipment

197	222	79	116
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Operating lease for premises

206	181	102	106
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Operating lease for plant
and equipment

189	281	53	139
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Write-off of plant and equipment

-	7	-	4
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Research and development expenditure
(included in staff costs)

2,139	2,747	1,006	1,562
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6. Taxation

Hong Kong Profits Tax has not been provided as the Group had no assessable profit for the period (2004: nil).

7. Dividend

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2005 (2004: nil).

8. Loss per share

The calculation of basic loss per share for the six months and three months ended 30 June 2005 is based on the unaudited consolidated loss attributable to shareholders of approximately HK\$1,375,000 and HK\$743,000 respectively (six months and three months ended 30 June 2004: approximately HK\$6,007,000 and HK\$3,328,000 respectively) and the weighted average of 651,700,000 ordinary shares in issue during the six months and three months ended 30 June 2005 (six months and three months ended 30 June 2004: 582,694,286 and 651,700,000 shares respectively).

The diluted loss per share is not presented as the Pre-IPO share options, share options and convertible bonds outstanding during the six months and three months ended 30 June 2005 had an anti-dilutive effect on the basic loss per share for the corresponding periods.

9. Trade and other receivables

	(Unaudited) 30 June 2005 HK\$'000	(Restated) 31 December 2004 HK\$'000
Trade receivables	680	1,504
Other receivables		
Deposits, prepayments and other debtors	547	623
	1,227	2,127

Note: The aging analysis of trade receivables of the group as at 30 June 2005 (net of specific provision for doubtful debt) was as follows:

	(Unaudited) 30 June 2005 HK\$'000	(Restated) 31 December 2004 HK\$'000
Within 30 days	486	334
Between 31 days and 60 days	–	1,120
Between 61 days and 90 days	–	21
Between 91 days and 120 days	194	29
	680	1,504

The general credit terms that the Group offers to customers range from 30 days to 90 days from billing.

10. Trade and other payables

	(Unaudited) 30 June 2005 HK\$'000	(Restated) 31 December 2004 HK\$'000
Other payables		
Receipts in advance		
– membership subscription fees	152	190
– system services and maintenance income	288	216
Accrued charges and other creditor	1,599	1,086
	<hr/> 2,039	<hr/> 1,492

11. Interest bearing borrowings

	(Unaudited) 30 June 2005 HK\$'000	(Restated) 31 December 2004 HK\$'000
Convertible bond repayable within 1 year	–	2,874
Convertible bond repayable after 1 year but not exceeding 2 years	4,812	4,804
Term-loan repayable after 1 year but not exceeding 2 years	3,000	–
	<hr/> 7,812	<hr/> 7,678

The term loan bears interest at a fixed rate of 6% per annum and is repayable on 1 April 2007.

The fair values of liability component and the equity conversion component of the convertible bonds were determined at issuance of the convertible bonds. The fair value of the liability component was calculated using a market interest rate for a similar liability that does not have an associated equity component. The equity component is then determined by deducting the fair value of the liability component from the fair value of the convertible bond as a whole, and is included in shareholders' equity in other reserves.

The convertible bonds were recorded in the balance sheet as follows:

	As at 30 June 2005 HK\$'000 (unaudited)	As at 31 December 2004 HK\$'000 (restated)
Face values of the convertible bonds on their respective issue dates	5,000	8,000
Equity component	(272)	(436)
Liability component on initial recognition	4,728	7,564
Interest accrued as at 1 January	114	38
Interest expense for the period/year	158	226
Interest paid during the period/year	(188)	(150)
Liability component	4,812	7,678

During the six months ended 30 June 2005, none of the convertible bonds were redeemed or purchased by the Company or converted into shares of the Company.

12. Comparative Figures

Due to the adoption of the new HKFRSs and HKASs, certain comparative figures previously reported have been restated to comply with the new requirements. Moreover, to conform to the current period's presentation, the comparative figures of "other income" of approximately HK\$42,000 and HK\$31,000 for the six months and three months ended 30 June 2004 respectively were reclassified as "other revenue". Such reclassification has no effect on the results for the current period or the corresponding period of the previous year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Review

The Group's total turnover for the six months ended 30 June 2005 increased by more than 106% to approximately HK\$6,502,000 (2004: HK\$3,152,000). Revenue of operational software application products amounted to approximately HK\$5,713,000, which accounted for approximately 88% of the total turnover, while revenue of financial instruments analysis software products amounted to approximately HK\$789,000, which represented approximately 12% of the total turnover of the Group.

Despite the increase in total turnover, the total cost of sales for the period under review decreased by approximately 10% to approximately HK\$1,455,000. The saving in costs was mainly attributable to the reduction in subscription costs of data and internet services. With the improvement in both turnover and cost of sales, the Group's gross profit for the six months ended 30 June 2005 increased substantially by around 228% to approximately HK\$5,047,000.

As the Group had to serve some overseas clients aboard during the period under review, the expenses for traveling and hotel accommodations increased substantially by approximately 184%. Furthermore, the Group incurred a non-recurring product development cost of approximately HK\$161,000, which accounted for approximately 3% of the total administrative expenses, during the period under review. The Group also increased its advertising and promotion expenses by approximately 52% for promoting its new financial instrument analysis software product to be launched in China in the third quarter of 2005.

Notwithstanding the above increases in expenses, the total administrative expenses of the Group decreased by approximately 17% to HK\$6,149,000 with the reductions of, inter alia, approximately 17% in staff costs and directors' emoluments, approximately 57% in legal and professional fees and approximately 48% in telecommunication expenses.

The finance costs increased by approximately 142% as additional convertible bonds of HK\$5 million were issued by the Company during the second half of 2004.

The net loss for the six months ended 30 June 2005 amounted to approximately HK\$1,375,000 (2004: HK\$6,007,000), representing a reduction of approximately 77% when compared with the results of 2004.

Liquidity and financial resources

The Group keeps most of its cash in Hong Kong dollar and places them as short-term deposits in banks for interests. As at 30 June 2005, the Group had current assets of approximately HK\$2,485,000, including cash and bank balances of approximately HK\$1,258,000. The total assets amounted to approximately HK\$3,133,000.

As at 30 June 2005, the total borrowings of the Group amounted to HK\$7,812,000, which comprised two convertible bonds in the aggregate amount of HK\$4,812,000, and a term loan of HK\$3,000,000. The convertible bonds bear interest at the rate of Hong Kong prime rate less 0.5% per annum and are repayable on 1 September 2006. The term loan bears interest at 6% per annum and is repayable on 1 April 2007. All borrowings of the Group are denominated in Hong Kong dollar.

The gearing ratio, as expressed as the ratio of total borrowings to total assets, of the Group was approximately 249% as at 30 June 2005.

Capital Structure

There were no changes in the capital structure of the Company during the six months ended 30 June 2005. As at 30 June 2005, the total issued share capital of the Company was HK\$6,517,000, comprised 651,700,000 ordinary shares of HK\$0.01 each.

Charges on the Group's assets

There were no material charges on the Group's assets as at 30 June 2005.

Foreign exchange exposure

Most of the sales and expenditures of the Group were denominated in Hong Kong dollar and United States dollar while some transactions were denominated in Canadian dollar and Great Britain pound. As Hong Kong dollar is closely linked with United States dollar and the exchange rates for other currencies used by the Group are relatively stable, the management considers that the Group has no significant foreign exchange exposures. The Company had no currency borrowings and no hedging had been implemented during the period.

OPERATIONAL REVIEW

Financial instruments analysis software products

When compared with the corresponding period in 2004, there was a slight increase of 2% in the revenue of financial instruments analysis software products for the six months ended 30 June 2005. On the other hand, for the three months ended 30 June 2005, the revenue had decreased by approximately 2%. This phenomenon arose because the total number of paid members has been decreasing gradually since January 2005.

In view of the stagnant growth in the number of individual members, the Group has put more effort in exploring the corporate client sector. The Group is also taking active measures to explore business opportunities in the overseas markets. The Group signed a cooperation agreement with a major financial software distributor in China in May 2005. ProSticks charts and related services on PRC A-shares and B-shares shall be distributed to sales agents and registered members in China through the proprietary network of the distributor. Currently, the distributor has approximately 200 sales agents and 60,000 registered members, of which 30,000 are active members. The services are expected to be launched in the third quarter of 2005.

Operational software application products

Revenue from operational software application products continued to grow in the second quarter of 2005. When compared with the corresponding period in 2004, there was a growth of approximately 140% in the segment revenue, which was mainly attributable to the licensing of new products and system enhancement. The segment results for the six months ended 30 June 2005 also improved substantially from a loss of approximately HK\$224,000 in 2004 to a profit of approximately HK\$3,421,000.

As at 30 June 2005, the outstanding licensing contracts on hand amounted to approximately HK\$3,430,000. It is expected that these contracts shall be completed within one year.

Employees information

As at 30 June 2005, the group had a total of 29 employees (including Directors). The salaries and benefits of the Group's employees were kept at a market level and employees were rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. Staff benefits include contributions to mandatory provident fund, medical insurance and share options. During the six months ended 30 June 2005, no share options were granted to employees of the Group.

PROSPECTS

The year has started well for the Group. However, the Directors anticipate that the business environment for the Group will become more challenging in the second half of the year. Increments in financing costs, salary for the Group's staff and general administrative expenses are expected. As a result, the performance of the Group may be affected by such anticipated increases in costs.

Notwithstanding the above adverse factors, the Directors are optimistic towards the business development of financial instruments analysis software products in China. The Directors believe that the Group will gain momentum for further growth after the launching of new products and services in China in the third quarter of 2005. New contracts for operational software application products are also expected in the second half of 2005.

SUBSEQUENT EVENT

On 1 August 2005, the Company entered into a subscription agreement with an independent third party (the "Subscriber"), whereby, subject to certain conditions precedent, the Company has agreed to issue a convertible bond in an aggregate principal amount of HK\$2.0 million to the Subscriber. The bondholder(s) can exercise the conversion rights subject to the conditions of the convertible bond, in whole or in part, at any time before the date falling 18 months after the date of issue of the convertible bond to subscribe for the ordinary shares of the Company at an initial conversion price of HK\$0.021 per share, subject to adjustment(s), if any. The convertible bond bears interest at the rate of Hong Kong prime rate and is repayable on the date falling 18 months after the date of issue of the convertible bond. As at the date of this report, such convertible bond has not been issued by the Company yet.

SIGNIFICANT INVESTMENTS AND CAPITAL ASSETS

No significant investments were made during the six months ended 30 June 2005. As at 30 June 2005, the Group did not have any plan for material investment or acquisition of capital assets.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

No material acquisitions or disposals of subsidiaries and affiliated companies which have significant impact on financial results of the Group were made during the six months ended 30 June 2005.

CONTINGENT LIABILITIES

As at 30 June 2005, the Group had no material contingent liabilities .

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2005.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2005, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or pursuant to section 352 of the SFO, to be recorded in the register referred therein; or pursuant to Rule 5.46 of the Rules Governing the Listing of Securities on Growth Enterprise Market of the Stock Exchange ("GEM Listing Rules") to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares of the Company

Name of Directors	Number of ordinary shares held and nature of interests			Total percentage of shareholding
	Personal	Corporation	Total	
Mr. Li Ching Ping Vincent "Mr. Li" (Note 1)	–	90,479,242	90,479,242	13.88

Notes:

1. These shares were held by Great Power Associates Limited, a company wholly owned by Mr. Li.
2. Nominee shares in subsidiaries were held by a Director in trust for the Group.

Short positions in shares of the Company

Name of Director	Nature of interest	Number of underlying shares	Total percentage of shareholding
Mr. Li	Interest of a controlled corporation	23,000,000	3.53

Note: Great Power Associates Limited, a company wholly owned by Mr. Li, has written a call option to an independent third party, pursuant to which the option holder has the right to purchase from Great Power Associates Limited up to 23,000,000 shares of the Company at an exercise price of HK\$0.03 per share during the period of 2 years commencing from 2 December 2003.

Share options

Name of Director	Date of grant and vesting	Number of share options			Exercise period	Exercise price per share (HK\$)
		At 1 January 2005	Granted/ Exercised/ Cancelled/ Lapsed during the period	At 30 June 2005		
Mr. Li	20/11/2003	24,000,000	–	24,000,000	20/11/2003 – 19/11/2013	0.021

Save as disclosed above, as at 30 June 2005, none of the Director or chief executive of the Company had any interests or short position in shares, debentures or underlying shares of the Company and its associated corporations which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or pursuant to section 352 of the SFO, to be recorded in the register referred therein; or pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

INTERESTS DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2005, so far as known to any Director or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had interests in the shares or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares of the Company

Name	Capacity	Number of shares	Percentage of issued share capital
Investec Bank (UK) Limited	Beneficial owner	183,400,000	28.14
Great Power Associates Limited (Note 1)	Beneficial owner	90,479,242	13.88
Ms. Li Yuen Sze Mak ("Mrs. Li") (Note 1)	Family interest	90,479,242	13.88
Frankie Dominion International Limited	Beneficial owner	75,260,986	11.55
Mr. Lam Po Kwai ("Mr. Lam") (Note 2)	Interest of a controlled corporation	75,260,986	11.55
Ms. Lee Yuen Bing ("Mrs. Lam") (Note 2)	Family interest	75,260,986	11.55
4Bio Signs Corporation	Beneficial owner	33,000,000	5.06
Mr. Loh James ("Mr. Loh") (Note 3)	Interest of a controlled corporation	33,000,000	5.06
Ms. Loh Cheung Yuk Pok Natalie ("Mrs. Loh") (Note 3)	Family interest	33,000,000	5.06

Notes:

- Great Power Associates Limited is wholly owned by Mr. Li. Accordingly, each of Mr. Li and Mrs. Li, the spouse of Mr. Li, was deemed to be interested in 90,479,242 shares of the Company.

- Frankie Dominion International Limited is beneficially owned as to 44.2% by Mr. Lam. Accordingly, each of Mr. Lam and Mrs. Lam, the spouse of Mr. Lam, was deemed to be interested in 75,260,986 shares of the Company.
- 4Bio Signs Corporation is wholly owned by Mr. Loh. Accordingly, each of Mr. Loh and Mrs. Loh, the spouse of Mr. Loh, was deemed to be interested in 33,000,000 shares of the Company.

Long positions in underlying shares of the Company

Name	Capacity	Number of shares	Percentage of issued share capital
JL Strategic Fund (Note 1)	Beneficial owner	50,000,000	7.67
Swordfish Holdings Limited (Note 2)	Beneficial owner	50,000,000	7.67
JL Capital Pte. Ltd (Note 3)	Investment manager	100,000,000	15.34
Mr. Loh (Note 4)	Interest of a controlled corporation	100,000,000	15.34
Mrs. Loh (Note 4)	Interest of a controlled corporation	100,000,000	15.34

Notes:

- The Company issued a convertible bond of HK\$2.5 million to JL Strategic Fund in September 2004. Upon full conversion of the convertible bond, JL Strategic Fund will be entitled to 50,000,000 shares of the Company.
- The Company issued a convertible bond of HK\$2.5 million to Swordfish Holdings Limited in September 2004. Upon full conversion of the convertible bond, Swordfish Holdings Limited will be entitled to 50,000,000 shares of the Company.
- JL Capital Pte. Ltd is the investment manager of JL Strategic Fund and Swordfish Holdings Limited and was thus deemed to be interested in 100,000,000 underlying shares of the Company.
- Mr. Loh holds 99% interest in JL Capital Pte. Ltd.. Therefore, each of Mr. Loh and Mrs. Loh, the spouse of Mr. Loh, was deemed to be interested in 100,000,000 underlying shares of the Company.

Short positions in shares of the Company

Name	Capacity	Number of underlying shares	Percentage of issued share capital
Great Power Associates Limited (<i>Note 1</i>)	Corporation	23,000,000	3.53
Mrs. Li (<i>Note 2</i>)	Family interest	23,000,000	3.53

Notes:

1. Great Power Associates Limited, a company wholly owned by Mr. Li, has written a call option to an independent third party, pursuant to which the option holder has the right to purchase from Great Power Associates Limited up to 23,000,000 shares of the Company at an exercise price of HK\$0.03 per share during the period of 2 years commencing from 2 December 2003.
2. Great Power Associates Limited is wholly owned by Mr. Li. Accordingly, each of Mr. Li and Mrs. Li, the spouse of Mr. Li, was deemed to be interested in the short position of 23,000,000 shares of the Company.

Save as disclosed above, as at 30 June 2005, the Directors were not aware of any other persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO.

SHARE OPTION SCHEME

(a) Pre-IPO Share Option Scheme

No options were granted under the Pre-IPO Share Option Scheme during the six months ended 30 June 2005 and none of the options granted under the Pre-IPO Share Option Scheme were exercised, cancelled or lapsed during the period under review. An option to subscribe for 4,000,000 shares was outstanding as at 30 June 2005.

(b) Share Option Scheme

The movements in the share options of the Company, granted under the Share Option Scheme, during the six months ended 30 June 2005 are shown in the following table:

Name/ Category of participants	Date of grant and vesting	Exercise period	Exercise price per share HK\$	Number of share options			
				At as 1 January 2005	Granted/ cancelled or exercised during the period	Lapsed during the period	Outstanding at as 30 June 2005
Director:							
Mr. Li	20/11/2003	20/11/2003 – 19/11/2013	0.021	24,000,000	–	–	24,000,000
Participants with options granted in excess of the individual limit:							
Li Yue Toa Gilbert	14/07/2003	14/07/2003 – 04/07/2013	0.021	16,000,000	–	–	16,000,000
Chan Cheong Pang	01/12/2003	01/12/2003 – 30/11/2013	0.021	5,000,000	–	–	5,000,000
Chan Oi Chi Joyce	02/12/2003	02/12/2003 – 01/12/2013	0.021	5,000,000	–	–	5,000,000
Cheng Chi Kong	09/12/2003	09/12/2003 – 08/12/2013	0.021	3,600,000	–	–	3,600,000
Lau Chi Ming	11/12/2003	11/12/2003 – 10/12/2013	0.021	5,000,000	–	–	5,000,000
Lai Man Kwan Jim	21/11/2003	21/11/2003 – 20/11/2013	0.021	4,000,000	–	(4,000,000)	–
	03/02/2004	03/02/2004 – 29/01/2014	0.050	660,000	–	(660,000)	–

Name/ Category of participants	Date of grant and vesting	Exercise period	Exercise price per share HK\$	Number of share options			
				At as 1 January 2005	Granted/ cancelled or exercised during the period	Lapsed during the period	Outstanding at as 30 June 2005
Ho Wai Man Heidi	31/07/2003	31/07/2003 – 04/07/2013	0.021	3,000,000	–	(3,000,000)	–
	20/11/2003	20/11/2003 – 19/11/2013	0.021	2,400,000	–	(2,400,000)	–
Employees:							
In aggregate	12/07/2003	12/07/2003 – 04/07/2013	0.021	1,800,000	–	–	1,800,000
	14/07/2003	14/07/2003 – 04/07/2013	0.021	800,000	–	–	800,000
	21/07/2003	21/07/2003 – 04/07/2013	0.021	2,000,000	–	–	2,000,000
	30/07/2003	30/07/2003 – 04/07/2013	0.021	2,000,000	–	–	2,000,000
	01/08/2003	01/08/2003 – 04/07/2013	0.021	600,000	–	–	600,000
	03/02/2004	03/02/2004 – 29/01/2014	0.050	2,200,000	–	–	2,200,000
Others:							
Ex-Directors in aggregate	02/12/2003	02/12/2003 – 01/12/2013	0.021	10,000,000	–	–	10,000,000
	20/11/2003	20/11/2003 – 19/11/2013	0.021	34,000,000	–	–	34,000,000
Consultants in aggregate	16/07/2003	16/07/2003 – 04/07/2013	0.021	4,200,000	–	–	4,200,000
	13/02/2004	13/02/2004 – 29/01/2006	0.050	1,200,000	–	–	1,200,000
				127,460,000	–	(10,060,000)	117,400,000

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the period under review, none of the Directors nor any substantial shareholder of the Company and their respective associates had any interest in any business that directly or indirectly competed or might compete with the business of the Group.

CORPORATE GOVERNANCE

In November 2004, the Stock Exchange issued a new Code on Corporate Governance Practices which comes into effect for accounting periods commencing on or after 1 January 2005.

During the six months ended 30 June 2005, the Company had complied with the Code on Corporate Governance Practices as set out in Appendix 15 in the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2005, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference for the purpose of reviewing and supervising the Company's financial reporting and internal control procedures. As at 30 June 2005, the committee comprises three independent non-executive Directors, namely Mr. Ng Ge Bun, Mr. Wan Yiu Kwan Stephen and Mr. Lee Kar Wai. The committee had met two times in the six months ended 30 June 2005.

The Group's consolidated financial statements for the six months ended 30 June 2005 have been reviewed by the audit committee, who was of the opinion that such statements have complied with the applicable accounting standards and legal requirements, and that adequate disclosures have been made.

By order of the Board
ProSticks International Holdings Limited
Li Ching Ping Vincent
Chairman

The board as of the date of this report comprises Mr. Li Ching Ping Vincent and Mr. Fung Yan Shun as executive Directors, and Mr. Ng Ge Bun, Mr. Wan Yiu Kwan Stephen and Mr. Lee Kar Wai as independent non-executive Directors.

Hong Kong, 11 August 2005